International Seabed Authority ISBA/21/FC/2

Finance Committee

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Financial implications of procedures and criteria for the extension of an approved plan of work for exploration pursuant to section 1, paragraph 9, of the annex to the Agreement relating to the Implementation of Part XI of the United Nations Convention on the Law of the Sea of 10 December 1982

Note by the secretariat

1. At its meeting in February 2015, in response to a request by the Council of the International Seabed Authority (see ISBA/20/C/31, para. 2), the Legal and Technical Commission formulated draft procedures and criteria for an approved plan of work for exploration (ISBA/21/C/WP.1), for submission to the Council at its twenty-first session, in July 2015.

2. The draft procedures and criteria contain a provision whereby the fee for processing an application for an extension of a contract for exploration shall be a fixed amount of $110,000, to cover the administrative costs associated with the processing of such an application. The relevant paragraphs of the draft procedures and criteria (paras. 4-6) are reproduced in annex I to the present note. The Finance Committee will note that the language used therein is similar to that used in the analogous provisions of the sets of regulations on prospecting and exploration.[1]

3. In formulating the draft procedures and criteria and in making its recommendation to the Council, the Commission observed that the question of the fee was a matter within the mandate of the Finance Committee given that, pursuant to the Agreement relating to the Implementation of Part XI of the United Nations Convention on the Law of the Sea of 10 December 1982, any decision by the Council having financial or budgetary implications or pertaining to the financial management and internal administration of the Authority must be based on the

[1] Regulation 19 of the Regulations on Prospecting and Exploration for Polymetallic Nodules in the Area, regulation 21 of the Regulations on Prospecting and Exploration for Polymetallic Sulphides in the Area and regulation 21 of the Regulations on Prospecting and Exploration for Cobalt-rich Ferromanganese Crusts in the Area.

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recommendations of the Committee. Consequently, the Commission did not express any view on the relevant paragraphs, but requested the Secretary-General to refer the matter to the Committee for consideration at its next meeting. Accordingly, this matter has been placed on the provisional agenda of the Committee (ISBA/21/FC/L.1).

4. The initial proposed processing fee of $110,000 was based on a provisional estimate provided by the Office of Administration and Management of the secretariat. Since the draft procedures and criteria were adopted by the Commission, the secretariat has reviewed the provisional estimate and reduced the proposed processing fee to $80,000. The estimated costs to the Authority include the costs associated with meetings of the two organs involved in the processing of an application for extension (the Commission and the Council), staff costs and documentation costs. The estimated costs are provided in annex II to the present note.

5. In the absence of an administrative fee, the processing costs would need to be met from within the administrative budget of the Authority. Seven contracts for exploration are due to expire between 20 March 2016 and March 2017. It may thus be anticipated that up to seven applications for extension will be submitted to the Secretary-General during the financial period 2015-2016. The estimated cost of processing those applications would be approximately $560,000. It may be noted, however, that no provision has been made in the budget for that financial period for the processing of such applications.

6. The Finance Committee is invited to consider paragraphs 4 to 6 of document ISBA/21/C/WP.1, as reproduced in annex I to the present note, and to make an appropriate recommendation for consideration by the Council at its session in July 2015.

Annex I

Paragraphs 4 to 6 of the draft procedures and criteria for the extension of an approved plan of work for exploration pursuant to section 1, paragraph 9, of the annex to the Agreement relating to the Implementation of Part XI of the United Nations Convention on the Law of the Sea of 10 December 1982, as recommended to the Council by the Legal and Technical Commission and as contained in document ISBA/21/C/WP.1

"4. The fee for processing an application for extension of a contract for exploration shall be a fixed amount of [$80,000][a] or its equivalent in a freely convertible currency, to be paid in full at the time of the submission of an application.

"5. If the administrative costs incurred by the Authority in processing an application are less than the fixed amount indicated in paragraph 4 above, the Authority shall refund the difference to the Contractor. If the administrative costs incurred by the Authority in processing an application are more than the fixed amount indicated in paragraph 4 above, the Contractor shall pay the difference to the Authority, provided that any additional amount to be paid by the Contractor shall not exceed 10 per cent of the fixed fee referred to in paragraph 4.

"6. Taking into account any criteria established for this purpose by the Finance Committee, the Secretary-General shall determine the amount of such differences as indicated in paragraph 5 above and notify the Contractor of the amount. The notification shall include a statement of the expenditure incurred by the Authority. The amount due shall be paid by the Contractor or reimbursed by the Authority within three months of the final decision by the Council in respect of the application."

[a] Amount reduced from $110,000 to $80,000, as explained in paragraph 4 of the present document.

Annex II

Estimated costs incurred by the Authority in processing an application for an extension of an approved plan of work for exploration

(United States dollars)

Item	*Costs*
Internal staff-related costs	13 470
Documentation	10 030
Legal and Technical Commission, including interpretation, meeting support and related costs (for two meetings)	32 170
Council, including interpretation, meeting support and related costs (for one meeting)	14 600
Subtotal	**70 270**
International Seabed Authority management and overhead (15 per cent of above)	10 540
Total	**80 810**